

FIFTEEN ROPE FERRY ROAD



WATERFORD, CT 06385-2886

February 25, 2014

Senator Catherine Osten
Representative Peter Tercyak
Labor and Public Employees Committee
Room 3800, Legislative Office Building
Hartford, CT 06106

Re Bill SB-219 Municipal Employees Retirement System

Dear Senator Osten and Representative Tercyak:

It has come to my attention that this bill is before you in a public hearing on Thursday that I am unable to attend. I am submitting the following testimony on behalf of our community and in the interest of supporting the need for correction that this bill provides.

Since entering the MERS retirement program, municipalities have seen the contribution from the employer increase over 400% in the past 10 years. When it was initiated, we were at an almost equal contribution from the employee/employer standpoint (45/55%). The State Employees Retirement Commission (SERC) voted to increase the municipal contribution rate for municipalities participating in MERS for the 2013-2014 fiscal year. This constitutes the tenth assessed increase in twelve years. In July 2013, those ratios will be 81%/19% for non- public safety employees, and 86%/14% for public safety employees. In addition, we are being charged an increased administration fee of \$130.00 from \$115.00 per member

Unlike the employer contribution rate, the employee contribution rate has never changed. It remains at 2.25% for those employees participating in the Social Security system, and 5% for those in a non participating system. The static nature of the employee contribution is explained by the fact that when MERS was created, the Legislature reserved the right to increase this rate to itself, and it has never altered the initial contribution rate.

The time has come for the Legislature to review the employee contribution rate, and authorize an increase in this contribution level. This is necessary for two reasons. First, it will ensure that the MERS system can remain financially solvent. Second, it will correct a funding imbalance that has developed over the past decade. By any reasonable measure, Towns participating in MERS have absorbed a considerable burden over the past decade. This has directly contributed to a reduction in town services and actual layoffs in order to meet this obligation. The ratio of retirement cost burden has skewed tremendously onto the municipality in the last decade, and this imbalance can only be corrected through Legislative action. One immediate form of action is to increase the participating employee contribution rate. Raised Bill SB-219 provides that authorization. Waterford and other MERS towns have clearly borne more than their share of responsibility in this area, and Legislative correction is urgently needed.

I am happy to speak with you further if you wish. Thank you for your consideration.

Sincerely,

Daniel Steward
First Selectman, Town of Waterford